

04-20

The Secretary of State presents his compliments to Their Excellencies, Messieurs and Mesdames the Chiefs of Mission and renews and expands the Department's Circular Note 89-193, dated April 27, 1989, which discussed issues relating to the diplomatic tax exemption card program.

The Department takes seriously its obligations under the Vienna Conventions to provide tax exemption to eligible missions and their members in the United States. Nevertheless, the Department recognizes that there are occasional problems with regard to acceptance of the tax exemption cards, and strives to resolve or prevent these problems and issues.

The tax-exempt status of eligible foreign missions and their members in the United States is derived from the obligations of the Vienna Conventions on Diplomatic and Consular Relations, and is authorized nationwide by Article VI of the United States Constitution. The tax-exemption benefits extended by the Department are determined reciprocally in accordance with the counterpart foreign government's tax treatment of the United States Mission and its members.

The following sections of this note will address specific policies and issues that effect the diplomatic tax exemption program. Please use this as a resource for dealing with problems or concerns that may arise.

### **Hotels**

Missions or individuals may experience problems when trying to request an exemption from the taxes imposed on hotel stays. Therefore, the Department strongly recommends that missions and eligible members notify hotels in advance of the stay of their tax-exempt status. Missions and individuals should allow sufficient time to resolve tax exemption questions at hotels. An individual checking out of a hotel, under pressure to make an airline flight or business meetings, may not have sufficient time to resolve questions concerning tax exemption. When issues arise regarding the acceptance of a tax exemption request, the question is often referred to the hotel management, local governing authorities, or the Office of Foreign Missions for resolution. Although the Office of Foreign Missions actively promotes the diplomatic tax exemption program, individuals may continue to find themselves in the position of informing hotels and other vendors about their tax-exempt privileges. In situations where a hotel refuses

to allow a valid exemption of tax, individuals should take one of the following actions: refer the hotel staff to the OFM website [www.state.gov/ofm](http://www.state.gov/ofm); provide the hotel staff with the OFM Diplomatic Tax Exemption Program flyer; or contact OFM in Washington, D.C. by phone at (202) 895-3563 or (202) 895-3500 or at an OFM Regional Office. Missions and members should continue to assert their right to exemption taxes in all states, and may also offer a copy of this note to hotels and vendors as additional explanation of the tax exemption program. The Department is not authorized to force or demand that a hotel or vendor honor the privilege of diplomatic tax exemption; nevertheless attempts will be made to provide information and guidance to the hotel or vendor in situation such as this.

### **Internet Purchases**

The diplomatic tax exemption card must be physically presented to a vendor before an exemption from tax can be authorized. Therefore, currently there is no mechanism that would allow a diplomatic tax exemption for official or personal purchases to be claimed through an Internet website. The presentation of a tax exemption card is necessary for a vendor to verify the exemption request and retain the necessary documentation required by state and local tax regulations.

Regardless of the amount paid, the Office of Foreign Mission will not provide assistance to missions or their members seeking reimbursement of taxes charged on a purchase made through the Internet.

The purchase of airline tickets, cruise ship packages, and other vacations are included in this prohibition. Taxes imposed on these on-line transactions are not currently eligible for diplomatic tax exemption.

### **Lost/Stolen Tax Exemption Cards**

When a card is lost or stolen, the mission must send a diplomatic note to the Department providing details, including the name and tax exemption number, and when and where the card was lost or stolen. If the individual wishes for the Department to issue a replacement card, a new application must accompany the diplomatic note. In order to allow time for the lost or stolen card to be returned, requests for replacing lost or stolen tax exemption cards will be held for 30 calendar days before processing is initiated.

### **Misuse of Tax Exemption Cards**

The Department reminds all missions and personnel that it regards the misuse of tax-exemption privileges as a serious offense. Tax exemption cards are

not transferable. Only the person whose photograph appears on the card may use it to obtain a tax exemption. In addition, mission cards are valid only for official purchases of the mission. Any attempt to use a mission card for a personal purchase is considered misuse. The use of expired tax-exemption cards or their use after an individual's assignment has been terminated is also considered misuse.

Any misuse of a mission tax-exemption card will result in that card being withdrawn from the mission. Should the misuse of a mission card occur, the Department has the right to further restrict the number of mission cards held by the mission.

The misuse of either mission or personal tax exemption cards violates various federal and state laws. If the Office of Foreign Missions obtains proof of the fraudulent use of a tax-exemption card, notification will be provided to the proper law enforcement authorities.

### **Reciprocity**

Some missions that receive this note do not currently have tax-exemption cards. In accordance with its long-standing policy, the Department would prefer to establish a reciprocally balanced, full tax-exemption regime for all missions and

eligible members. It is the Department's hope that a mutually beneficial arrangement in the area of government-to-government taxation can be achieved in the future. If a mission would like to discuss improving their tax-exemption benefits, and their government is willing to examine the issue, they are encouraged to contact the Office of Foreign Missions.

## **Refunds**

The Department's Office of Foreign Missions frequently receives requests from the diplomatic and consular community to assist them in obtaining refunds of taxes paid in error. Obtaining such refunds is a time-consuming, labor-intensive and problematic effort. The benefit of sales-tax exemption requires some planning and effort on the part of the cardholder. Therefore, it is the Department's policy to only provide assistance for missions or individuals in obtaining a refund of improperly imposed taxes, when the tax is in excess of \$50.00 per receipt.


The Office of Foreign Missions provides a variety of materials intended to assist missions and their members obtain tax exemption. Missions and their members are invited to use the OFM website ([www.state.gov/ofm](http://www.state.gov/ofm)), which includes an active tax exemption card database that may be used by hotels and vendors to

verify the validity of a tax exemption card; the Diplomatic Tax Exemption Program flyer, which is available on the OFM website and in all OFM office locations; the OFM Customer Service telephone number (202) 895-3563 or (202) 895-3500, which is available 24 hours a day; and lastly this circular note.

The Department looks to the diplomatic missions to bring the contents of this note to the attention of all their personnel, both in Washington and at the respective consular mission throughout the United States.

Department of State,

Washington,



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